

Message Text

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17

ORIGIN EA-10

INFO OCT-01 ISO-00 AGR-05 CIAE-00 COME-00 EB-07 INR-07

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OMB-01 L-02 SS-15 NSC-05 H-01 IGA-01 /066 R

DRAFTED BY EA/ROC:TBLEHA:BDS

APPROVED BY EA:LESTER E. EDMOND

EB/FTD - MR. WILLIAMS

USDA - MR. DUDLEY WILLIAMS (INFO)

USDA - MR. KENNARD STEPHENS

(INFO)

----- 122424

R 210229Z FEB 75

FM SECSTATE WASHDC

TO AMEMBASSY TAIPEI

INFO AMEMBASSY BANGKOK

AMEMBASSY MANILA

AMEMBASSY SEOUL

C O N F I D E N T I A L STATE 039190

E.O. 11652: GDS

TAGS: ETRD, TW

SUBJECT: COTTON CONTRACT PROBLEM

REF: (A) STATE 32751; (B) TAIPEI 781

1. ROC EMBASSY ECONOMIC COUNSELOR T.W. HU CALLED
FEBRUARY 20 ON EA DEPUTY ASSISTANT SECRETARY EDMOND
TO PRESENT INFORMALLY GROC RESPONSE TO OUR CCC CREDIT
PROPOSAL AIMED AT RESOLVING COTTON CONTRACT ISSUE.
HU HAD EARLIER PROMISED FORMAL RESPONSE, BUT WAS
INSTRUCTED TO MAKE INFORMAL PRESENTATION PENDING
CLARIFICATION OF CERTAIN ASPECTS, PARTICULARLY NUMBER
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OF BALES AND VALUE OF COTTON CONTRACTS INVOLVED.

2. FOLLOWING IS GIST OF HU'S INFORMAL PRESENTATION:

-- ONLY CONTRACTS ENTERED INTO BEFORE AUGUST 1, 1974 WOULD BE CONSIDERED ELIGIBLE FOR CCC/GROC ASSISTANCE. GROC NOW ESTIMATES THESE TO BE 300,000 BALES VALUED AT \$100 MILLION;

-- GROC WISHES TO APPLY FOR \$50 MILLION IN CCC CREDIT WITH REMAINING \$50 MILLION PLUS NECESSARY TO RESOLVE PROBLEM TO COME FROM GROC SIDE;

-- CCC CREDIT WOULD BE FOR THREE YEARS AND LOAN WOULD BE MADE TO ROC BANK (PROBABLY BANK OF TAIWAN) WHICH WOULD BE ENTITLED TO NOMINAL HANDLING CHARGES. CCC CREDITS WOULD THEN BE RE-LENT TO COTTON MILLS WITH GROC GUARANTEEING LOAN REPAYMENT. GROC WOULD ALSO TAKE NECESSARY MEASURES TO EXPEDITE OPENING OF L/C'S;

-- GROC UNDERSTANDS INTEREST RATE ON CCC LOAN WOULD BE 9.5 PERCENT. IN LINE WITH CURRENTLY FALLING US INTEREST RATES, GROC WOULD LIKE LOWER RATE, AT LEAST AS FAVORABLE AS THAT GIVEN OTHERS INVOLVED.

3. IN RESPONSE, EDMOND STRESSED NEED FOR URGENT HANDLING OF THIS MATTER. HE NOTED THAT AT FEBRUARY 19 INTER-AGENCY MEETING WHICH INCLUDED WHITE HOUSE PARTICIPATION, HOUSE MINORITY LEADER JOHN RHODES PRESSED FOR QUICK SOLUTION OF THE PROBLEM. EDMOND ALSO POINTED OUT THAT SCHEDULE OF SHIPMENTS WOULD HAVE TO BE WORKED OUT. HE PROMISED TO LOOK INTO QUESTION OF INTEREST RATE AND OTHER ASPECTS OF HU'S COUNTER-PROPOSAL AND REMINDED HU THAT WE WOULD NEED ASSURANCES THAT CCC CREDITS WOULD BE USED FOR OUTSTANDING COTTON CONTRACTS EXCLUSIVELY AND THAT GROC WOULD TAKE NECESSARY FURTHER ACTION TO RESOLVE ENTIRE PROBLEM (NOT SIMPLY GUARANTEE LOAN REPAYMENT).

4. IN FOLLOW-UP SESSION, HU WAS PROVIDED WITH TEXT OF FOUR ASSURANCES DETAILED IN REF A, PARA 1. HE PROMISED
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TO TRANSMIT ALL OF THIS INFORMATION TO TAIPEI FEBRUARY 20.

KISSINGER

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